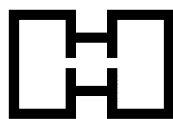


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HERALD HOLDINGS LIMITED

興利集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code : 00114)

Annual Results Announcement for the year ended 31 March 2024

The Board of Directors (the “Board”) of Herald Holdings Limited (the “Company”) presents the consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 March 2024, together with the comparative figures for the previous year and selected explanatory information, as follows:

Consolidated statement of profit or loss

For the year ended 31 March 2024

	Note	2024 HK\$'000	2023 HK\$'000
Revenue	3 & 4	711,337	1,262,978
Cost of sales		(551,059)	(963,211)
Gross profit		160,278	299,767
Other revenue	5	15,213	10,317
Other net income	5	856	15,644
Selling expenses		(11,140)	(10,181)
Administrative expenses		(173,984)	(196,351)
Net valuation (losses)/gains on investment properties		(7,465)	1,761
(Loss)/profit from operations		(16,242)	120,957
Finance costs	6(a)	(1,115)	(3,078)
(Loss)/profit before taxation	6	(17,357)	117,879
Income tax	7	2,574	(35,591)
(Loss)/profit for the year		(14,783)	82,288

	Note	2024 HK\$'000	2023 HK\$'000
Attributable to:			
Equity shareholders of the Company		(14,385)	82,327
Non-controlling interests		<u>(398)</u>	<u>(39)</u>
(Loss)/profit for the year		<u>(14,783)</u>	<u>82,288</u>
(Loss)/earnings per share	9		
Basic (HK cents)		<u>(2.38)</u>	<u>13.62</u>
Diluted (HK cents)		<u>(2.38)</u>	<u>13.62</u>

Details of dividends payable to equity shareholders of the Company are set out in note 8.

Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 March 2024

	2024 HK\$'000	2023 HK\$'000
(Loss)/profit for the year	<u>(14,783)</u>	<u>82,288</u>
Other comprehensive income for the year		
<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
Reclassification of accumulated exchange differences to profit or loss upon deregistration of a subsidiary (no tax effect)	-	(2,950)
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong (no tax effect)	<u>(11,663)</u>	<u>(18,206)</u>
Other comprehensive income for the year	<u>(11,663)</u>	<u>(21,156)</u>
Total comprehensive income for the year	<u>(26,446)</u>	<u>61,132</u>
Attributable to:		
Equity shareholders of the Company	(25,774)	61,615
Non-controlling interests	<u>(672)</u>	<u>(483)</u>
Total comprehensive income for the year	<u>(26,446)</u>	<u>61,132</u>

Consolidated statement of financial position
At 31 March 2024

	Note	2024 HK\$'000	2023 HK\$'000
Non-current assets			
Investment properties		91,859	103,733
Other property, plant and equipment		168,301	206,992
		<u>260,160</u>	310,725
Intangible assets		954	988
Other financial assets		4,000	2,300
Prepayment		841	-
Deferred tax assets		5,614	4,106
		<u>271,569</u>	318,119
Current assets			
Trading securities		77,390	80,429
Inventories		122,659	184,237
Trade and other receivables	10	108,036	149,443
Pledged bank balances		3,607	947
Cash and cash equivalents		229,188	170,330
		<u>540,880</u>	585,386
Current liabilities			
Trade and other payables and contract liabilities	11	145,993	148,267
Bank loans		-	10,000
Lease liabilities		5,226	5,806
Current tax payable		29,504	32,695
		<u>180,723</u>	196,768
Net current assets		<u>360,157</u>	388,618
Total assets less current liabilities		<u>631,726</u>	706,737

	2024	2023
	HK\$'000	HK\$'000
Non-current liabilities		
Lease liabilities	6,536	13,544
Deferred tax liabilities	30,360	36,249
Provision for long service payments	1,844	1,242
	38,740	51,035
NET ASSETS	592,986	655,702
CAPITAL AND RESERVES		
Share capital	47,150	47,150
Reserves	533,221	595,265
Total equity attributable to equity shareholders of the Company	580,371	642,415
Non-controlling interests	12,615	13,287
TOTAL EQUITY	592,986	655,702

Notes:

1. Basis of preparation

The consolidated results set out in this announcement do not constitute the Group's annual financial statements for the year ended 31 March 2024 but are extracted from those financial statements.

The annual financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") ("Listing Rules").

The measurement basis used in the preparation of the financial statements is the historical cost basis except that investment properties, equity investments classified as other financial assets, and financial instruments classified as trading securities are stated at their fair value.

2. Changes in accounting policies

(a) New and amended HKFRSs

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 1, *Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. These developments have had no material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. Impacts of the adoption of the new and amended HKFRSs are discussed below:

Amendments to HKAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities, but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under HKAS 12.

(b) New HKICPA guidance on the accounting implications of the abolition of the mandatory provident fund (“MPF”) – long service payment (“LSP”) offsetting mechanism

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” that provides accounting guidance relating to the offsetting mechanism and the abolition of the mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP.

To better reflect the substance of the abolition of the offsetting mechanism, the Group has applied the above HKICPA guidance and changed its accounting policy in connection with its LSP liability, which should result in a catch-up profit or loss adjustment in June 2022 for the service cost up to that date and consequential impacts on current service cost, interest expense and remeasurement effects from changes in actuarial assumptions for the rest of the year ended 31 March 2023, with the corresponding adjustment to the comparative carrying amount of the LSP liability.

The abolition of the offsetting mechanism did not have a material impact on the Group’s profit or loss for the year ended 31 March 2023 and the Group’s and the Company’s financial position as at 31 March 2023. In light of the immaterial impact, the Group did not apply the change in its accounting policy retrospectively. Alternatively, the catch-up profit or loss adjustment was recognised in the current accounting period with the corresponding adjustment to the LSP liability.

3. Revenue

The principal activities of the Group are the manufacture, sale and distribution of toys, computer products, clocks, watches, and electronic and gift products.

Disaggregation of revenue from contracts with customers by major product lines is as follows:

	2024 HK\$’000	2023 HK\$’000
Revenue from sale of goods within the scope of HKFRS 15		
Disaggregated by major product lines		
– Toys	407,943	973,458
– Computer products	104,235	126,546
– Timepieces	199,159	162,974
	<u>711,337</u>	<u>1,262,978</u>

Disaggregation of revenue from contracts with customers by geographic markets is disclosed in note 4(c).

The Group’s customer base includes one (2023: two) customer with whom transactions have exceeded 10% of the Group’s revenue. During the year, revenue from sales of toys to this customer amounted to approximately HK\$290,300,000 (2023: two customers amounted to approximately HK\$648,700,000 and HK\$156,300,000 respectively). For both years, the sales arose mainly in the North America geographical region in which the toys division is active.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to exempt the disclosure of revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date to its revenue from sales of goods as the performance obligation is part of a contract that has an original expected duration of one year or less.

4. Segment reporting

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following five reportable segments. No operating segments have been aggregated to form the following reportable segments.

Toys	:	The manufacture, sale and distribution of toy products.
Computer products	:	The manufacture and sale of computer products.
Timepieces	:	The sale and distribution of clocks, watches, and electronic and gift products.
Investments	:	The investment in debt and equity securities, managed funds and other financial assets.
Others	:	The leasing of properties to group companies and third parties to generate rental income and to gain from the appreciation in the properties' values in the long term.

(a) Segment results, assets and liabilities

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2024 and 2023 is set out below:

	2024					
	Toys	Computer products	Timepieces	Investments	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	407,943	104,235	199,159	-	-	711,337
Inter-segment revenue	-	-	-	-	3,548	3,548
Reportable segment revenue	407,943	104,235	199,159	-	3,548	714,885
Reportable segment (loss)/profit	(9,470)	(6,462)	22,518	(2,864)	(4,454)	(732)
Interest income	1,041	435	86	-	106	1,668
Interest expense	(877)	-	(124)	-	-	(1,001)
Depreciation and amortisation for the year	(23,624)	(2,052)	(2,684)	-	(5,293)	(33,653)
Reportable segment assets	305,954	109,435	125,165	84,997	139,568	765,119
Additions to non-current segment assets during the year	1,274	293	638	-	2	2,207
Reportable segment liabilities	108,600	17,179	21,910	1,213	1,777	150,679

2023

	Toys HK\$'000	Computer products HK\$'000	Timepieces HK\$'000	Investments HK\$'000	Others HK\$'000	Total HK\$'000
Revenue from external customers	973,458	126,546	162,974	-	-	1,262,978
Inter-segment revenue	-	-	-	-	3,428	3,428
Reportable segment revenue	<u>973,458</u>	<u>126,546</u>	<u>162,974</u>	<u>-</u>	<u>3,428</u>	<u>1,266,406</u>
Reportable segment profit/(loss) (Note)	101,853	(2,736)	14,211	(4,994)	26,238	134,572
Interest income	229	52	5	-	42	328
Interest expense	(2,058)	-	(159)	-	-	(2,217)
Depreciation and amortisation for the year	<u>(36,288)</u>	<u>(2,343)</u>	<u>(2,398)</u>	<u>-</u>	<u>(5,425)</u>	<u>(46,454)</u>
Reportable segment assets	398,703	114,643	105,247	83,676	149,616	851,885
Additions to non-current segment assets during the year	10,242	421	1,123	-	5,641	17,427
Reportable segment liabilities	<u>132,018</u>	<u>12,511</u>	<u>21,569</u>	<u>-</u>	<u>1,815</u>	<u>167,913</u>

Note : During the year ended 31 March 2023, a property under Others segment was disposed and a gain on disposal of HK\$22,468,000 was recognised and included in segment results above.

(b) Reconciliations of reportable segment revenue, (loss)/profit, interest income, interest expense, assets and liabilities

	2024 HK\$'000	2023 HK\$'000
Revenue		
Reportable segment revenue	714,885	1,266,406
Elimination of inter-segment revenue	<u>(3,548)</u>	<u>(3,428)</u>
Consolidated revenue	<u>711,337</u>	<u>1,262,978</u>
(Loss)/profit		
Reportable segment (loss)/profit	(732)	134,572
Unallocated corporate expenses	<u>(16,625)</u>	<u>(16,693)</u>
Consolidated (loss)/profit before taxation	<u>(17,357)</u>	<u>117,879</u>
Interest income		
Reportable segment interest income	1,668	328
Unallocated corporate interest income	<u>401</u>	<u>308</u>
Consolidated interest income	<u>2,069</u>	<u>636</u>
Interest expense		
Reportable segment interest expense	1,001	2,217
Unallocated corporate interest expense	<u>114</u>	<u>861</u>
Consolidated interest expense	<u>1,115</u>	<u>3,078</u>
Assets		
Reportable segment assets	765,119	851,885
Deferred tax assets	5,614	4,106
Unallocated corporate assets	<u>41,716</u>	<u>47,514</u>
Consolidated total assets	<u>812,449</u>	<u>903,505</u>
Liabilities		
Reportable segment liabilities	150,679	167,913
Current tax payable	29,504	32,695
Deferred tax liabilities	30,360	36,249
Unallocated corporate liabilities	<u>8,920</u>	<u>10,946</u>
Consolidated total liabilities	<u>219,463</u>	<u>247,803</u>

(c) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's investment properties and other property, plant and equipment and intangible assets ("specified non-current assets"). The geographical location of customers is based on the location at which the goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the assets in the case of investment properties and other property, plant and equipment, and based on the location of operations in the case of intangible assets.

	Revenue from external customers		Specific non-current assets	
	2024 HK\$'000	2023 HK\$'000	2024 HK\$'000	2023 HK\$'000
Hong Kong (place of domicile)	66,844	130,189	63,524	71,388
North America	322,009	731,685	-	-
United Kingdom	107,358	130,557	11,355	13,040
Europe (excluding United Kingdom)	78,984	113,276	-	-
Asia (excluding Mainland China and Hong Kong)	25,520	28,480	-	-
Mainland China	69,965	50,852	186,235	227,285
Others	40,657	77,939	-	-
	644,493	1,132,789	197,590	240,325
	711,337	1,262,978	261,114	311,713

5. Other revenue and other net income

	2024 HK\$'000	2023 HK\$'000
Other revenue		
Rental income	4,948	5,281
Sales of scrap materials	4,862	900
Dividend income from listed securities	2,650	1,953
Interest income from deposits with banks	2,069	636
Forfeiture of advance payments from customers	-	967
Others	684	580
	<u>15,213</u>	<u>10,317</u>
Other net income		
Net foreign exchange gain/(loss)	5,826	(3,342)
Net gain on disposal of property, plant and equipment	604	22,610
Net realised and unrealised losses on trading securities	(3,039)	(4,997)
Change in fair value of other financial assets	(2,476)	(1,950)
Loss on early termination of leases	(98)	(6)
Gain on deregistration of a subsidiary	-	3,044
Others	39	285
	<u>856</u>	<u>15,644</u>

6. (Loss)/profit before taxation

(Loss)/profit before taxation is arrived at after charging/(crediting):

	2024 HK\$'000	2023 HK\$'000
(a) Finance costs		
Interest on bank loans and other borrowings	453	2,335
Interest on lease liabilities	662	743
	<u>1,115</u>	<u>3,078</u>
(b) Other items		
Amortisation of intangible assets	34	34
Cost of inventories	551,059	963,211
Depreciation		
- owned property, plant and equipment	21,032	33,962
- right-of-use assets	12,587	12,458
(Reversal of impairment losses)/impairment losses on trade debtors	(383)	272
Rentals receivable from investment properties less direct outgoings of HK\$23,000 (2023: HK\$102,000)	(4,925)	(5,179)
	<u>(4,925)</u>	<u>(5,179)</u>

7. Income tax

	2024 HK\$'000	2023 HK\$'000
Hong Kong Profits Tax	(277)	5,006
Taxation outside Hong Kong	3,186	3,620
Deferred tax	(5,483)	26,965
	<u>(2,574)</u>	<u>35,591</u>

The provision for Hong Kong Profits Tax for 2024 is calculated at 16.5% (2023: 16.5%) of the estimated assessable profits for the year, except for a subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax regime.

Taxation for subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

8. Dividends payable to equity shareholders of the Company attributable to the year

	2024 HK\$'000	2023 HK\$'000
Interim dividend declared and paid of HK3 cents (2023: HK3 cents) per share	18,135	18,135
Final dividend proposed after the end of the reporting period of HK3 cents (2023: HK3 cents) per share	18,135	18,135
	<u>36,270</u>	<u>36,270</u>

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

9. (Loss)/earnings per share

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company of HK\$14,385,000 (2023: profit of HK\$82,327,000) and the weighted average number of shares of 604,491,000 (2023: 604,491,000) in issue during the year.

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share for the years ended 31 March 2024 and 2023 are same as the basic (loss)/earnings per share as the share options outstanding during the year had an anti-dilutive effect on the basic (loss)/earnings per share.

10. Trade and other receivables

Included in trade and other receivables are trade debtors and bills receivable (based on the invoice date and net of loss allowance) with the following ageing analysis as of the end of the reporting period:

	At 31 March 2024 HK\$'000	At 31 March 2023 HK\$'000
Within 3 months	94,523	118,506
4 to 6 months	1,589	4,917
7 to 12 months	128	-
13 to 24 months	3	10
	<hr/>	<hr/>
Trade debtors and bills receivable, net of loss allowance	96,243	123,433
Deposits, prepayments and other receivables	11,793	26,010
	<hr/>	<hr/>
	108,036	149,443
	<hr/>	<hr/>

Trade debtors and bills receivable are normally due within 90 days from the date of billing.

11. Trade and other payables and contract liabilities

Included in trade and other payables and contract liabilities are trade creditors and bills payable (based on the invoice date) with the following ageing analysis as of the end of the reporting period:

	At 31 March 2024 HK\$'000	At 31 March 2023 HK\$'000
Within 1 month	10,047	9,453
Over 1 month but within 3 months	3,675	3,789
Over 3 months	499	1,441
	<hr/>	<hr/>
Trade creditors and bills payable	14,221	14,683
Accruals and other payables	122,653	124,340
	<hr/>	<hr/>
	136,874	139,023
Contract liabilities		
- forward sales deposits	9,119	9,244
	<hr/>	<hr/>
	145,993	148,267
	<hr/>	<hr/>

All of the trade and other payables and contract liabilities are expected to be settled or recognised as income within one year.

12. Non-adjusting event after the reporting period

Subsequent to the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 8.

BUSINESS REVIEW

The revenue of the Group for the year ended 31 March 2024 was HK\$711 million which was 44% down from HK\$1,263 million in the previous year. The Group recorded a net loss attributable to the equity shareholders of the Company amounting to HK\$14.4 million as compared with a net profit of HK\$82.3 million a year earlier. This change is mainly attributable to the decline in customer demand for toys products and the absence of a net gain from the disposal of a Hong Kong property amounting to HK\$22.5 million last year. Detailed analysis of the operating results is set out in the following paragraphs.

Toys Division

As a result of a tight spending environment and retailers cutting back on inventories, the revenue of the Toys division for the year ended 31 March 2024 dropped 58% year-on-year from HK\$973 million to HK\$408 million. In comparison with an operating profit of HK\$101.9 million a year earlier, the division recorded an operating loss of HK\$9.5 million for the year under review.

Computer Products Division

As a major customer faced the problem of overstocking and substantially postponed shipments of certain products, the Computer Products Division's revenue for the year ended 31 March 2024 fell 18% year-on-year from HK\$127 million to HK\$104 million, while its operating loss increased from HK\$2.7 million to HK\$6.5 million.

Timepieces Division

Benefiting from strong consumer demand for timepieces, the business of the Timepieces Division performed well and recorded a revenue of HK\$199 million for the year ended 31 March 2024, representing a 22% year-on-year increase from HK\$163 million last year. The division's operating profit increased 58% to HK\$22.5 million from HK\$14.2 million last year.

Other Investments

For the year ended 31 March 2024, the Group recognised net realised and unrealised losses on trading securities of HK\$3.0 million (2023: losses of HK\$5.0 million). The dividend and interest income on trading securities amounted to HK\$2.7 million for the year (2023: HK\$2.0 million). At 31 March 2024, the Group's trading securities amounted to HK\$77 million, a decrease of HK\$3 million from last year.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group continues to maintain its sound financial health. At the end of the financial year, the Group had a strong financial position with healthy liquidity. At 31 March 2024, the total assets amounted to HK\$812 million (2023: HK\$903 million) which were financed by current liabilities of HK\$181 million (2023: HK\$197 million), non-current liabilities of HK\$39 million (2023: HK\$51 million), non-controlling interests of HK\$13 million (2023: HK\$13 million) and equity attributable to the Company's equity shareholders of HK\$580 million (2023: HK\$642 million).

At 31 March 2024, the Group's cash balances including pledged bank balances aggregated to HK\$233 million, up from HK\$171 million a year ago. The current assets at 31 March 2024 amounted to HK\$541 million (2023: HK\$585 million). The inventories decreased from HK\$184 million to HK\$123 million and the trade and other receivables decreased from HK\$149 million to HK\$108 million. The trading securities at 31 March 2024 amounted to HK\$77 million (2023: HK\$80 million).

At 31 March 2024, the Group's current liabilities amounted to HK\$181 million (2023: HK\$197 million) with no outstanding bank loan (2023: revolving bank loans of HK\$10 million). Certain trading securities and bank deposits amounting to HK\$80 million (2023: HK\$79 million), along with certain properties with a carrying amount of HK\$43 million (2023: HK\$46 million), were also pledged to banks to secure banking facilities granted to the Group.

The Group monitors its capital structure on the basis of gearing ratio, which is calculated as a percentage of total liabilities over total assets. The gearing ratio of the Group as at 31 March 2024 was 27% (2023: 27%). At 31 March 2024, the Group's working capital ratio, an indicator of liquidity represented by a ratio between the current assets and the current liabilities, was 2.99 as compared to 2.98 last year. The quick ratio, another ratio that gauges the short-term liquidity and measured by trade debtors and bills receivable and cash and cash equivalent over current liabilities, increased to 1.80 from 1.49 in the previous year.

CONTINGENT LIABILITIES

As at 31 March 2024, the Group did not have any significant contingent liabilities.

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to foreign exchange risks primarily through sales and purchases that are denominated in a foreign currency, such as Renminbi, United States dollars and Pound Sterling. Management monitors the Group's exposure to currency risk and will consider hedging significant foreign currency exposure should the need arises.

PROSPECTS AND GENERAL OUTLOOK

The business of the Toys Division will remain challenging in the new financial year. Due to the postponement and cancellation of several movies, sales of our toys products are expected to decline accordingly. Furthermore, price pressures from customers have led to reduced profit margins for the division. The overstocking problem of a major customer of our Computer Products Division is gradually improving and the division is also striving to expand the customer base. On the other hand, the Timepieces Division started the new financial year with stable sales and a positive outlook.

Despite the challenging business environment, the management is hopeful that the Group will weather the market difficulties and remain competitive in the new financial year.

DIVIDEND

At the forthcoming Annual General Meeting to be held on 12 September 2024, the directors will recommend a final dividend of HK3 cents per share (2023: HK3 cents). Together with the interim dividend of HK3 cents (2023: HK3 cents), the dividend payment for the year of HK6 cents (2023: HK6 cents) would represent an annual return of 12.5% (2023: 13.0%) on the Company's average share price of HK\$0.48 (2023: HK\$0.46) in the year ended 31 March 2024.

The final dividend which will amount to HK\$18.1 million is calculated on the total number of shares in issue as at 27 June 2024, being the latest practicable date prior to the announcement of the results.

REGISTER OF MEMBERS

The Annual General Meeting is scheduled to be held on Thursday, 12 September 2024. For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Friday, 6 September 2024 to Thursday, 12 September 2024, both days inclusive, during which period no transfer of shares will be effected. In order to be able to attend and vote at the Annual General Meeting, shareholders should ensure that all transfers of shares, accompanied by the relevant share certificates, are lodged with the Company's share registrar in Hong Kong, Tricor Tengis Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Thursday, 5 September 2024.

The proposed final dividend is subject to the passing of the ordinary resolution by the shareholders at the Annual General Meeting. The record date for entitlement to the proposed final dividend is Friday, 27 September 2024. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 26 September 2024 to Friday, 27 September 2024, both days inclusive, during which period no transfer of shares will be effected. In order to be qualified for the proposed final dividend, shareholders should ensure that all transfers of shares, accompanied by the relevant share certificates, are lodged with Tricor Tengis Limited for registration no later than 4:30 p.m. on Wednesday, 25 September 2024. The payment of final dividend, if approved at the Annual General Meeting, will be made on Monday, 14 October 2024.

EMPLOYEES

As at 31 March 2024, the number of employees of the Group was approximately 126 in Hong Kong, 2,020 in Mainland China and 31 in Europe. The Group ensures that its employee's remuneration packages are competitive. Employees are rewarded based on their performance and experience and the prevailing industry practice. Total staff costs for the year amounted to HK\$281,539,000 (2023: HK\$409,397,000).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2024.

SCOPE OF WORK OF THE COMPANY'S AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 March 2024 as set out in the preliminary announcement have been agreed by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by KPMG on the preliminary announcement.

AUDIT COMMITTEE

The audit committee reports to the Board and currently comprises four independent non-executive directors, namely Dr Ng Tze Kin, David, being the chairman, Mr Lie-A-Cheong Tai Chong, David, Mr Yeh Man Chun, Kent and Ms Wong Sau Ling. The audit committee meets with the Group's senior management and external auditors regularly to discuss audit matters. The audit committee also reviews the effectiveness of the risk management and internal control systems. The annual results of the Group have been reviewed by the audit committee of the Company.

REMUNERATION COMMITTEE

The Company has established a remuneration committee which currently comprises two independent non-executive directors, namely Dr Ng Tze Kin, David, being the chairman, and Mr Yeh Man Chun, Kent and one executive director, namely Mr Lai Man Pun. The terms of reference of the remuneration committee have been included on the Company's website.

NOMINATION COMMITTEE

The nomination committee consists of two executive directors, namely Mr Robert Dorfman, being the chairman, and Dr Cheung Tsang Kay, Stan and four independent non-executive directors, namely Mr Lie-A-Cheong Tai Chong, David, Mr Yeh Man Chun, Kent, Dr Ng Tze Kin, David and Ms Wong Sau Ling. The primary roles of the nomination committee are to determine the policy for the nomination of directors, to review the structure, size and composition of the Board and to make recommendations to the Board on the appointment or re-appointment of directors.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix C1 to the Listing Rules throughout the year ended 31 March 2024.

MODEL CODE OF SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standards of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules. Having made specific enquiry of the Company's directors, all directors confirmed that they have complied with the required standards set out in the Model Code and the Company's code of conduct regarding directors' securities transactions.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the Stock Exchange's website (www.hkex.com.hk) and the Company's website (www.heraldgroup.com.hk). The 2024 annual report containing all the information required by the Listing Rules will be dispatched to the shareholders and published on the Stock Exchange's website and the Company's website in due course.

By Order of the Board
Robert Dorfman
Chairman

Hong Kong, 27 June 2024

As at the date of this announcement, the Board of Directors of the Company comprises Mr Robert Dorfman, Mr Lai Man Pun and Dr Cheung Tsang Kay, Stan as executive directors; and Mr Lie-A-Cheong Tai Chong, David, Mr Yeh Man Chun, Kent, Dr Ng Tze Kin, David and Ms Wong Sau Ling as independent non-executive directors.

**For identification only*